

**HEPHZIBAH CHILDREN'S ASSOCIATION  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2021 AND 2020**



WEALTH ADVISORY | OUTSOURCING  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Hephzibah Children's Association  
Oak Park, Illinois

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Hephzibah Children's Association (the Association), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and directly related program services revenues, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

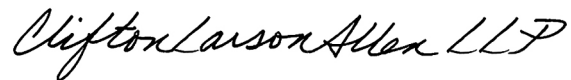
Board of Directors  
Hephzibah Children's Association

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2021 and 2020, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
February 18, 2022

**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,881,083	\$ 700,952	\$ 2,582,035
Certificates of Deposit	244,488	-	244,488
Accounts and Contributions Receivable, Net	1,288,488	-	1,288,488
Pledge Receivables	-	175,000	175,000
Prepaid Expenses	177,416	-	177,416
Investments	3,765,004	-	3,765,004
Other Assets	693	-	693
Total Current Assets	7,357,172	875,952	8,233,124
<b>PLEDGE RECEIVABLE</b> , Less Current Portion Above	-	96,852	96,852
<b>BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST</b>	-	2,805,777	2,805,777
<b>PROPERTY AND EQUIPMENT, NET</b>	1,795,947	-	1,795,947
Total Assets	\$ 9,153,119	\$ 3,778,581	\$ 12,931,700
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 641,037	\$ -	\$ 641,037
Accrued Salaries and Wages	863,094	-	863,094
Accrued Payroll Taxes	39,299	-	39,299
Obligations Under Capital Leases	12,734	-	12,734
Due to DCFS	116,329	-	116,329
Deferred Revenue - Parent Fees	26,933	-	26,933
Total Current Liabilities	1,699,426	-	1,699,426
<b>NONCURRENT LIABILITIES</b>			
Deferred Rent	18,232	-	18,232
Obligations Under Capital Leases	40,521	-	40,521
Total Noncurrent Liabilities	58,753	-	58,753
Total Liabilities	1,758,179	-	1,758,179
<b>NET ASSETS</b>	7,394,940	3,778,581	11,173,521
Total Liabilities and Net Assets	\$ 9,153,119	\$ 3,778,581	\$ 12,931,700

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 2,854,783	\$ 184,692	\$ 3,039,475
Certificates of Deposit	244,416	-	244,416
Accounts and Contributions Receivable, Net	1,034,131	60,000	1,094,131
Pledge Receivable	-	112,500	112,500
Prepaid Expenses	155,195	-	155,195
Investments	2,831,218	-	2,831,218
Other Assets	700	-	700
Total Current Assets	7,120,443	357,192	7,477,635
<b>PLEDGE RECEIVABLE</b> , Less Current Portion Above	-	190,656	190,656
<b>BENEFICIAL INTEREST IN REMAINDER TRUST</b>	-	261,705	261,705
<b>BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST</b>	-	2,332,247	2,332,247
<b>PROPERTY AND EQUIPMENT, NET</b>	1,670,958	-	1,670,958
Total Assets	\$ 8,791,401	\$ 3,141,800	\$ 11,933,201
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 486,948	\$ -	\$ 486,948
Accrued Salaries and Wages	455,821	-	455,821
Accrued Payroll Taxes	19,592	-	19,592
Deferred Revenue	59,796	-	59,796
Obligations Under Capital Leases	15,418	-	15,418
Short-Term Portion of PPP Loan	443,904	-	443,904
Total Current Liabilities	1,481,479	-	1,481,479
<b>NONCURRENT LIABILITIES</b>			
Deferred Rent	24,019	-	24,019
Obligations Under Capital Leases	33,499	-	33,499
Long-Term Portion of PPP Loan	720,486	-	720,486
Total Noncurrent Liabilities	778,004	-	778,004
Total Liabilities	2,259,483	-	2,259,483
<b>NET ASSETS</b>	6,531,918	3,141,800	9,673,718
Total Liabilities and Net Assets	\$ 8,791,401	\$ 3,141,800	\$ 11,933,201

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Fees and Grants from Government Agencies	\$ 8,878,904	\$ -	\$ 8,878,904
United Way of Metropolitan Chicago	17,906	-	17,906
Public Support:			
Individual, Corporate and Foundation			
Contributions and Grants	1,529,313	627,861	2,157,174
Special Events	322,022	-	322,022
In-Kind Contributions	107,603	-	107,603
Other Revenue:			
Program Service Fees and Grants	761,574	-	761,574
Interest, Dividend, and Other Income	59,961	-	59,961
Unrealized Loss	(29,700)	-	(29,700)
Realized Gain	599,694	-	599,694
Change in Value of Beneficial Interest in Remainder Trust	59,872	-	59,872
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	473,530	473,530
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	464,610	(464,610)	-
Total Revenues and Support	12,771,759	636,781	13,408,540
<b>EXPENSES</b>			
Program Services	9,922,211	-	9,922,211
Management and General	1,276,814	-	1,276,814
Development	709,712	-	709,712
Total Expenses	11,908,737	-	11,908,737
<b>CHANGE IN NET ASSETS</b>	863,022	636,781	1,499,803
Net Assets - Beginning of Year	6,531,918	3,141,800	9,673,718
<b>NET ASSETS - END OF YEAR</b>	\$ 7,394,940	\$ 3,778,581	\$ 11,173,521

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>			
Fees and Grants from Government Agencies	\$ 7,120,492	\$ -	\$ 7,120,492
United Way of Metropolitan Chicago	20,500	-	20,500
Public Support:			
Individual, Corporate and Foundation			
Contributions and Grants	1,251,308	191,585	1,442,893
Special Events	463,988	-	463,988
In-Kind Contributions	181,883	-	181,883
Other Revenue:			
Program Service Fees and Grants	1,336,818	-	1,336,818
Interest, Dividend, and Other Income	69,956	-	69,956
Unrealized Gain	24,729	-	24,729
Realized Gain	32,383	-	32,383
Change in Value of Beneficial Interest in Remainder Trust	-	(3,777)	(3,777)
Change in Value of Beneficial Interest in Hephzibah Children's Trust	-	(52,667)	(52,667)
Net Assets Released from Restrictions Arising from Satisfaction of Program and Time Restrictions	123,661	(123,661)	-
Total Revenues and Support	10,625,718	11,480	10,637,198
<b>EXPENSES</b>			
Program Services	8,452,585	-	8,452,585
Management and General	1,102,583	-	1,102,583
Development	763,883	-	763,883
Total Expenses	10,319,051	-	10,319,051
<b>CHANGE IN NET ASSETS</b>	306,667	11,480	318,147
Net Assets - Beginning of Year	6,225,251	3,130,320	9,355,571
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 6,531,918</b>	<b>\$ 3,141,800</b>	<b>\$ 9,673,718</b>

See accompanying Notes to Financial Statements.



**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES AND  
DIRECTLY RELATED PROGRAM SERVICES REVENUES  
YEAR ENDED JUNE 30, 2021**

	Program Services					
	Day Care	Family Intact Services	Positive Parenting	Foster Care	Diagnostic Treatment Center	Residence
<b>FUNCTIONAL EXPENSES</b>						
Salaries	\$ 1,445,864	\$ 720,048	\$ 41,892	\$ 851,165	\$ 1,597,684	\$ 1,178,924
Employee Benefits	194,920	133,381	4,810	138,735	259,696	185,062
Payroll Taxes	131,471	64,512	3,812	76,515	145,399	107,095
Total Salaries and Related Expenses	<u>1,772,255</u>	<u>917,941</u>	<u>50,514</u>	<u>1,066,415</u>	<u>2,002,779</u>	<u>1,471,081</u>
Professional Fees and Contract						
Service Payments	59,485	36,974	1,252	103,975	55,602	40,056
Supplies	172,277	15,091	3,169	19,464	114,704	93,504
Telephone and Telegraph	9,119	10,701	421	21,504	7,643	6,140
Postage and Shipping	536	1,122	82	1,389	148	145
Occupancy	52,695	65,470	4,929	75,925	110,336	120,643
Printing and Reference Material	12,314	7,641	375	13,791	12,418	8,989
Local Transportation	422	22,587	1,946	32,285	11,889	10,760
Training, Conferences, and Major Trips	3,025	672	2,512	6,346	3,482	2,866
Specific Assistance to Individuals	1,361	38,331	457	799,659	22,228	20,740
Membership Dues	5,659	1,158	84	1,904	3,395	2,914
Equipment Rental, Repairs, and Maintenance	1,076	2,692	196	3,128	7,902	6,466
Costs of Direct Benefits to Donors:						
Food and Beverage	-	-	-	-	-	-
Facility Costs	-	-	-	-	-	-
Entertainment and Supplies	-	-	-	-	-	-
Auctioneers and Auction Items	-	-	-	-	-	-
Other Costs of Direct Benefits to Donors	-	-	-	-	-	-
Miscellaneous	9,634	8,761	128	15,733	29,320	25,118
Total Functional Expenses, Before Depreciation	<u>2,099,858</u>	<u>1,129,141</u>	<u>66,065</u>	<u>2,161,518</u>	<u>2,381,846</u>	<u>1,809,422</u>
Depreciation	4,139	12,991	950	15,094	74,008	70,469
Total Functional Expenses	<u>2,103,997</u>	<u>1,142,132</u>	<u>67,015</u>	<u>2,176,612</u>	<u>2,455,854</u>	<u>1,879,891</u>
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	270,747	146,972	8,624	280,092	316,025	241,909
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	150,494	81,694	4,793	155,688	175,661	134,464
Total Program Services and Supporting Services Expenses	<u>\$ 2,525,238</u>	<u>\$ 1,370,798</u>	<u>\$ 80,432</u>	<u>\$ 2,612,392</u>	<u>\$ 2,947,540</u>	<u>\$ 2,256,264</u>
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 1,294,436	\$ 58,715	\$ 2,555,777	\$ 1,948,441	\$ 1,467,675
Payroll Protection	924,316	-	-	-	115,000	115,000
Other Government Agencies	288,539	-	-	-	50,247	34,753
Other	12,932	-	-	-	-	-
Program Service Fees and Grants	761,574	-	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	-	10,563	7,343
Total Directly Related Program Services Revenues	<u>\$ 1,987,361</u>	<u>\$ 1,294,436</u>	<u>\$ 58,715</u>	<u>\$ 2,555,777</u>	<u>\$ 2,124,251</u>	<u>\$ 1,624,771</u>

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES AND  
DIRECTLY RELATED PROGRAM SERVICES REVENUES (CONTINUED)  
YEAR ENDED JUNE 30, 2021**

	Program Services (Continued)		Supporting Services			
	All Other	Total	Management and General	Development	Total	Total
<b>FUNCTIONAL EXPENSES</b>						
Salaries	\$ 46,453	\$ 5,882,030	\$ 883,761	\$ 362,385	\$ 1,246,146	\$ 7,128,176
Employee Benefits	12,195	928,799	138,895	65,910	204,805	1,133,604
Payroll Taxes	4,106	532,910	78,109	32,881	110,990	643,900
Total Salaries and Related Expenses	62,754	7,343,739	1,100,765	461,176	1,561,941	8,905,680
Professional Fees and Contract						
Service Payments	3,279	300,623	51,173	78,105	129,278	429,901
Supplies	1,319	419,528	9,088	2,950	12,038	431,566
Telephone and Telegraph	399	55,927	3,845	2,081	5,926	61,853
Postage and Shipping	84	3,506	684	7,979	8,663	12,169
Occupancy	4,865	434,863	47,135	26,059	73,194	508,057
Printing and Reference Material	14	55,542	4,872	32,148	37,020	92,562
Local Transportation	-	79,889	3,427	121	3,548	83,437
Training, Conferences, and Major Trips	-	18,903	2,520	1,398	3,918	22,821
Specific Assistance to Individuals	22,428	905,204	-	-	-	905,204
Membership Dues	-	15,114	2,060	130	2,190	17,304
Equipment Rental, Repairs, and Maintenance	202	21,662	2,151	1,055	3,206	24,868
Costs of Direct Benefits to Donors:						
Food and Beverage	-	-	-	-	-	-
Facility Costs	-	-	-	-	-	-
Entertainment and Supplies	-	-	-	-	-	-
Auctioneers and Auction Items	-	-	-	25,855	25,855	25,855
Other Costs of Direct Benefits to Donors	-	-	-	20,799	20,799	20,799
Miscellaneous	561	89,255	34,302	45,651	79,953	169,208
Total Functional Expenses, Before Depreciation	95,905	9,743,755	1,262,022	705,507	1,967,529	11,711,284
Depreciation	805	178,456	14,792	4,205	18,997	197,453
Total Functional Expenses	96,710	9,922,211	\$ 1,276,814	\$ 709,712	\$ 1,986,526	\$ 11,908,737
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	12,445	1,276,814				
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	6,918	709,712				
Total Program Services and Supporting Services Expenses	\$ 116,073	\$ 11,908,737				
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 7,325,044				
Payroll Protection	-	1,154,316				
Other Government Agencies	-	373,539				
Other	-	12,932				
Program Service Fees and Grants	-	761,574				
United Way of Metropolitan Chicago	-	17,906				
Total Directly Related Program Services Revenues	\$ -	\$ 9,645,311				

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES AND  
DIRECTLY RELATED PROGRAM SERVICES REVENUES  
YEAR ENDED JUNE 30, 2020**

	Program Services						
	Day Care	Family Intact Services	Foster Care	Diagnostic Treatment Center	Residence	Community Support	Head Start
<b>FUNCTIONAL EXPENSES</b>							
Salaries	\$ 915,698	\$ 458,614	\$ 815,509	\$ 1,361,405	\$ 1,007,511	\$ 63	\$ 301,971
Employee Benefits	79,857	80,939	128,310	183,187	103,837	12	56,484
Payroll Taxes	82,685	41,528	74,161	116,284	87,708	5	27,824
Total Salaries and Related Expenses	1,078,240	581,081	1,017,980	1,660,876	1,199,056	80	386,279
Professional Fees and Contract							
Service Payments	68,879	38,963	178,363	46,277	32,977	-	7,384
Supplies	137,873	4,634	12,424	107,158	77,845	-	22,841
Telephone and Telegraph	15,270	9,058	20,334	7,410	5,611	-	1,954
Postage and Shipping	451	975	1,729	627	500	-	173
Occupancy	29,802	50,904	88,164	74,374	59,432	-	12,877
Printing and Reference Material	9,515	3,701	5,318	8,460	7,272	-	805
Local Transportation	10,427	25,763	51,193	13,459	12,066	-	741
Training, Conferences, and Major Trips	6,095	616	4,616	3,677	2,676	-	722
Specific Assistance to Individuals	25,879	32,931	702,753	19,324	15,872	788	4,677
Membership Dues	5,100	884	1,948	2,713	2,087	-	672
Equipment Rental, Repairs, and Maintenance	2,273	2,684	3,613	6,731	5,138	-	1,344
Costs of Direct Benefits to Donors:							
Food and Beverage	-	-	-	-	-	-	-
Facility Costs	-	-	-	-	-	-	-
Entertainment and Supplies	-	-	-	-	-	-	-
Auctioneers	-	-	-	-	-	-	-
Other Costs of Direct Benefits to Donors	-	-	-	-	-	-	-
Miscellaneous	26,116	16,046	27,617	41,813	29,583	-	793
Total Functional Expenses, Before Depreciation	1,415,920	768,240	2,116,052	1,992,899	1,450,115	868	441,262
Depreciation	3,940	8,620	16,273	66,253	62,546	-	13,322
Total Functional Expenses	1,419,860	776,860	2,132,325	2,059,152	1,512,661	868	454,584
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	185,211	101,336	278,148	268,603	197,317	113	59,298
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	128,317	70,207	192,704	186,091	136,703	78	41,082
Total Program Services and Supporting Services Expenses	<u>\$ 1,733,388</u>	<u>\$ 948,403</u>	<u>\$ 2,603,177</u>	<u>\$ 2,513,846</u>	<u>\$ 1,846,681</u>	<u>\$ 1,059</u>	<u>\$ 554,964</u>
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>							
Fees and Grants from Government Agencies:							
Illinois Department of Children and Family Services	\$ 5,062	\$ 929,059	\$ 2,411,750	\$ 1,833,336	\$ 1,392,129	\$ -	\$ -
Illinois Department of Human Services	61,531	-	-	-	-	-	-
Head Start - Children's Home + Aid	-	-	-	-	-	-	308,751
Other Government Agencies	22,793	-	5,520	71,708	49,232	1,124	-
Other	11,971	-	-	-	-	-	16,528
Program Service Fees and Grants	1,336,818	-	-	-	-	-	-
United Way of Metropolitan Chicago	-	-	-	12,302	8,198	-	-
Total Directly Related Program Services Revenues	<u>\$ 1,438,175</u>	<u>\$ 929,059</u>	<u>\$ 2,417,270</u>	<u>\$ 1,917,346</u>	<u>\$ 1,449,559</u>	<u>\$ 1,124</u>	<u>\$ 325,279</u>

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENT OF FUNCTIONAL EXPENSES AND  
DIRECTLY RELATED PROGRAM SERVICES REVENUES (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

	Program Services (Continued)		Supporting Services			
	All Other	Total	Management and General	Development	Total	Total
<b>FUNCTIONAL EXPENSES</b>						
Salaries	\$ 42,278	\$ 4,903,049	\$ 792,198	\$ 336,720	\$ 1,128,918	\$ 6,031,967
Employee Benefits	9,960	642,586	99,866	38,957	138,823	781,409
Payroll Taxes	3,803	433,998	63,347	30,092	93,439	527,437
Total Salaries and Related Expenses	56,041	5,979,633	955,411	405,769	1,361,180	7,340,813
Professional Fees and Contract						
Service Payments	9,136	381,979	43,710	73,659	117,369	499,348
Supplies	3,118	365,893	6,046	3,432	9,478	375,371
Telephone and Telegraph	553	60,190	4,863	2,852	7,715	67,905
Postage and Shipping	107	4,562	857	4,062	4,919	9,481
Occupancy	5,510	321,063	47,405	28,555	75,960	397,023
Printing and Reference Material	22	35,093	2,734	18,752	21,486	56,579
Local Transportation	-	113,649	3,856	932	4,788	118,437
Training, Conferences, and Major Trips	1,038	19,440	3,248	4,357	7,605	27,045
Specific Assistance to Individuals	17,650	819,874	-	-	-	819,874
Membership Dues	-	13,404	3,934	799	4,733	18,137
Equipment Rental, Repairs, and Maintenance	228	22,011	2,214	1,175	3,389	25,400
Costs of Direct Benefits to Donors:						
Food and Beverage	-	-	-	70,122	70,122	70,122
Facility Costs	-	-	-	13,750	13,750	13,750
Entertainment and Supplies	-	-	-	12,291	12,291	12,291
Auctioneers	-	-	-	11,134	11,134	11,134
Other Costs of Direct Benefits to Donors	-	-	-	36,156	36,156	36,156
Miscellaneous	2,038	144,006	13,966	71,783	85,749	229,755
Total Functional Expenses, Before Depreciation	95,441	8,280,797	1,088,244	759,580	1,847,824	10,128,621
Depreciation	834	171,788	14,339	4,303	18,642	190,430
Total Functional Expenses	96,275	8,452,585	\$ 1,102,583	\$ 763,883	\$ 1,866,466	\$ 10,319,051
<b>ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES</b>	12,559	1,102,585				
<b>ALLOCATION OF DEVELOPMENT EXPENSES</b>	8,701	763,883				
Total Program Services and Supporting Services Expenses	\$ 117,535	\$ 10,319,053				
<b>DIRECTLY RELATED PROGRAM SERVICES REVENUES</b>						
Fees and Grants from Government Agencies:						
Illinois Department of Children and Family Services	\$ -	\$ 6,571,336				
Illinois Department of Human Services	-	61,531				
Head Start - Children's Home + Aid	-	308,751				
Other Government Agencies	-	150,377				
Other	-	28,499				
Program Service Fees and Grants	-	1,336,818				
United Way of Metropolitan Chicago	-	20,500				
Total Directly Related Program Services Revenues	\$ -	\$ 8,477,812				

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ 1,499,803	\$ 318,147
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	197,453	190,430
Gain on Retiring Lease	(2,118)	-
Bad Debt Expense	1,425	11,924
Unrealized (Gain) Loss on Investments	29,700	(24,729)
Realized Gain on Investments	(599,694)	(32,383)
Change in Value of Beneficial Interest in Remainder Trust	(59,872)	3,777
Change in Value of Beneficial Interest in Hephzibah Children's Trust	(473,530)	52,667
Forgiveness of PPP Loan	(1,164,390)	-
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	(195,782)	(439,956)
Pledge Receivable	31,304	66,637
Prepaid Expenses and Other Assets	(22,214)	(20,850)
Accounts Payable and Due to Agencies	270,418	42,599
Accrued Salaries and Wages	407,273	107,793
Accrued Payroll Taxes	19,707	806
Deferred Revenue and Rent	(38,650)	(12,142)
Net Cash Provided (Used) by Operating Activities	(99,167)	264,720
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of Property and Equipment	(304,744)	(167,376)
Proceeds from Beneficial Interest in Remainder Trust	321,577	-
Purchases of Short-Term Investments	(3,521,823)	(1,122,580)
Proceeds from Sale of Investments	3,157,959	1,034,087
Net Cash Used by Investing Activities	(347,031)	(255,869)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	-	1,164,390
Principal Payments on Capital Lease Obligations	(11,242)	(14,836)
Net Cash Provided (Used) by Financing Activities	(11,242)	1,149,554
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(457,440)	1,158,405
Cash and Cash Equivalents - Beginning of Year	3,039,475	1,881,070
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,582,035	\$ 3,039,475
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 6,949	\$ 3,888

See accompanying Notes to Financial Statements.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Hephzibah Children's Association (the Association) is a nonprofit comprehensive social service agency which provides services to children and families without regard to race, color, religion, sex, or national origin. The Association's goals are to strengthen and reunite families by offering the following array of services: before and after-school child care; half-day pre-school child care; intensive outreach and child welfare assessment services; emergency care services and coordination of service providers for child abuse prevention; short-term foster care; short-term and long-term group homes for children whose physical and emotional needs exceed the services of foster homes and intensive in-home services to families actively involved with the Illinois Department of Children and Family Services because of abuse or neglect.

The Hephzibah Children's Trust (the Trust) is a nonprofit organization whose mission is to provide funds to the Association. The Trust has been approved by the Internal Revenue Service as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Association and the Trust have separate boards of directors. The Association does not have a controlling economic interest in the Trust. Accordingly, consolidated financial statements are not prepared. However, the Association has a beneficial interest in Trust assets upon any potential dissolution of the Trust (see Note 17).

**Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid interest-bearing depository and money market accounts. The Association considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

At times, cash and cash equivalents balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. Management has not experienced any losses and does not believe there is any significant market risk associated with such balances.

**Certificates of Deposit**

Certificates of deposit are recorded at cost which approximates fair value.

**Accounts and Contributions Receivable**

Accounts and contributions receivable represents amounts due from various government agencies for reimbursement of program expenses, parent fees, and pledges receivable which are due within the next fiscal year.

Accounts and contributions receivable are valued at management's estimate of the amount that will ultimately be collected. At June 30, 2021 and 2020, the allowance for doubtful accounts is \$60,000 and \$30,619, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Investments consist of mutual funds, exchange traded funds, hedge funds, real estate funds, commodity funds, and bond funds. Investments are carried at fair value with unrealized and realized gains and losses on investments reported as increases and decreases in net assets without donor restrictions. Dividends, interest, realized and unrealized gains and losses, and investment-related expenses are reported under other revenue in the statements of activities. All fair values of investments are described in Note 7.

The Association invests in various investments. Such investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of activities.

**Beneficial Interest in Remainder Trust**

The Association is the beneficiary of a charitable remainder trust that is administered by a third party and is subject to donor restrictions (see Note 16).

**Beneficial Interest in Hephzibah Children's Trust**

The Association is the beneficiary of the net assets of Hephzibah Children's Trust and is subject to donor restrictions (see Note 17).

**Property and Equipment**

Property and equipment are recorded at cost, less accumulated depreciation, and amortization. Replacements and major improvements are capitalized, while general maintenance and repairs are charged to expense as incurred. The Association has a \$2,500 minimum capitalization policy. Depreciation is computed by using the straight-line method over the following estimated useful lives:

Land Improvements	5 Years
Buildings and Improvements	31.5 Years
Furniture, Fixtures, and Equipment	5 to 10 Years
Vehicles	5 Years

**Impairment of Long-Lived Assets**

The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2021 and 2020, the Association had no net assets with perpetual donor restrictions.

**Revenue Recognition**

The Association derives its revenue primarily from grants and contributions. The following discloses the recognition for the Association's most significant revenue streams:

**Fees and Grants from Government Agencies**

The Association receives a significant portion of its operating funds from grants and awards. These funds are reported as without donor restricted support as the grants reimburse the Association for services provided. Government grants received in advance are recorded initially as deferred revenue and are then recognized as revenue is earned, which generally occurs when services are provided, and expenses are incurred. Program service fees consists primarily of revenue received from the state of Illinois which is paid based upon a contracted rate per day. Government and program service fees are recognized as earned once performance obligations are met for the program. The Association has received \$-0- in cost reimbursable grants that have not been recognized at June 30, 2021 and 2020, because qualifying expenditures have not yet been incurred. The Association's grants are based upon service days and not reimbursable amounts.

**Individual, Corporate and Foundation Contributions and Grants**

Contributions are recorded as revenue in the period received. Contributions are considered to be available for general operations and use unless specifically restricted by the donor or funding agency. Unconditional promises to give are reported at fair value at the date the promise or pledge is received. Pledges receivable are reduced by a valuation allowance that reflects management's best assessment of collectability based on specific donor information. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.



**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Program Service Fees and Grants

Program service fee income is recognized in the month in which the day care services are provided and is considered revenue that falls under contracts with customers (Topic 606).

Special Events

The Association records revenues from special events as either contributions or as contracts with customers (Topic 606) depending upon the value of the goods or services promised to be transferred to the event attendee. Revenue is recognized over time as the event takes place. Payments received in advance are deferred. All special events revenue was considered contributions for the years ended June 30, 2021 and 2020.

In-Kind Contributions

The Association policy is to recognize in-kind goods when donated as revenue at fair value in the period such contributions are made. Such donations are reported as without donor restricted support unless the donor has restricted the donated asset to a specific purpose. Conditional transfers of assets are recognized when the conditions on which they depend are substantially met. Donations of services are recorded if they create or enhance a nonfinancial asset or are specialized skills that would be purchased if they were not donated. For the years ended June 30, 2021 and 2020, the Association received \$107,603 and \$181,883 of in-kind contributions, respectively.

**Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Association. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits that are not a direct expenses are allocated on the basis of estimates of time and effort. Management and general expenses are allocated to programs based on a programs total expense ratio to all program expenses. All other allocated expenses are allocated based on full-time equivalent (FTE) determinations. The expenses that are allocated based on FTE's include depreciation, equipment rental, maintenance and repair, occupancy, facility repairs and maintenance, communications and information technology, office and general supplies and services, general staff training and relations, liability insurance and interest.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**HEPHZIBAH CHILDREN'S ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

The Association is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. There were no taxes owed for the years ended June 30, 2021 and 2020. The Association files tax returns in the U.S. federal jurisdiction and one state. There are no uncertain tax positions for the years ended June 30, 2021 and 2020.

**Adoption of New Accounting Standard**

**Revenue from Contracts with Customers**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Association's financial statements reflect the application of ASC 606 guidance beginning in fiscal year end 2021. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU No. 2014-09 did not significantly impact the Association's reported historical revenue.

**Pending Pronouncements**

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Association's leasing activities. The amendments in the guidance are effective for the Association for the year ending June 30, 2023. Early adoption is permitted.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pending Pronouncements (Continued)**

**Contributed Nonfinancial Assets**

In September 2020, the FASB issued amended guidance for contributed nonfinancial assets. The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The amendments in the guidance will be effective for the year ending June 30, 2023. Early adoption is permitted.

Management is evaluating the impact of these pronouncements on the Association's financial statements.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

The Association regularly monitors liquidity requirements and structures its financial assets to be available to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Association has a goal to maintain financial assets, which consists of cash and short-term investments, on hand to meet six weeks of normal operating expenses, which are, on average, approximately \$1.4M. As part of its liquidity management, the Association invests cash in excess of daily requirements in an overnight sweep account and short-term investments including certificate of deposits.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 2,582,035	\$ 3,039,475
Certificates of Deposit Maturing Within One Year	244,488	244,416
Accounts Receivable, Net	1,288,488	1,094,131
Pledge Receivable Due Within One Year	175,000	112,500
Investments	<u>3,765,004</u>	<u>2,831,218</u>
Total	8,055,015	7,321,740
Less:		
Amounts Restricted to Specific Programs or Activities	(700,952)	(184,692)
Amounts set Aside for Mid- to Long-Term Investing	<u>(3,765,004)</u>	<u>(2,831,218)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,589,059</u>	<u>\$ 4,305,830</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)**

The Association's accounts and pledge receivables are subject to time restrictions but available for general operations upon receipt. Additionally, the Association has a beneficial interest in the Hephzibah Children's Trust that provides financial support to the Association. Funds can be granted from the Trust to the Association when approved by the Trust's board of directors.

**NOTE 3 ACCOUNTS AND CONTRIBUTIONS RECEIVABLE**

A summary of accounts receivable at June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Illinois Department of Children and Family Services	\$ 1,156,472	\$ 915,846
Head Start Program (CHASI)	-	33,032
Illinois Department of Human Services	14,796	59,450
Parent Fees	46,523	5,999
Other	<u>130,697</u>	<u>110,423</u>
Total	1,348,488	1,124,750
Allowance for Doubtful Accounts	<u>(60,000)</u>	<u>(30,619)</u>
Total	<u>\$ 1,288,488</u>	<u>\$ 1,094,131</u>

Conditional promises to give at June 30, 2021 and 2020 consist of two pledges of approximately \$275,000 and three pledges of approximately \$300,000, respectively. Furthermore, a conditional pledge was made of a percentage of the net proceeds from the sale of certain residential real estate. No value can be placed on this conditional pledge at June 30, 2021 and 2020.

**NOTE 4 PLEDGE RECEIVABLES**

Pledge receivables consist of pledges that are expected to be collected during the following fiscal years:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 175,000
2023	<u>100,000</u>
Total Pledges Receivable	275,000
Less: Discount to Net Present Value	<u>(3,148)</u>
Total	<u>\$ 271,852</u>

The discount rate used was 3.25% for the years ended June 30, 2021 and 2020.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 5 PROPERTY AND EQUIPMENT**

A summary of plant property and equipment at June 30 is as follows:

	<u>2021</u>	<u>2020</u>
Land and Improvements	\$ 167,239	\$ 167,239
Buildings and Improvements	3,170,708	3,086,232
Furniture and Equipment	903,868	900,385
Telecommunications Equipment	192,609	134,136
Playground Equipment	275,064	275,064
Computer Equipment	475,138	402,620
Website Development	41,668	41,668
Vehicles	153,582	130,130
Construction in Progress	45,769	-
Total	<u>5,425,645</u>	<u>5,137,474</u>
Accumulated Depreciation	<u>(3,629,698)</u>	<u>(3,466,516)</u>
Total	<u><u>\$ 1,795,947</u></u>	<u><u>\$ 1,670,958</u></u>

**NOTE 6 INVESTMENTS**

A summary of investments at June 30 is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Moderate Growth Mutual Fund	\$ 3,587,634	\$ 3,765,004	\$ -	\$ -
U.S. Mutual Funds	-	-	826,262	979,869
Foreign Mutual Funds	-	-	111,310	123,062
Exchange Traded Funds	-	-	245,000	256,616
Real Estate Funds	-	-	99,248	76,041
Bond Funds	-	-	1,657,351	1,395,630
Total	<u><u>\$ 3,587,634</u></u>	<u><u>\$ 3,765,004</u></u>	<u><u>\$ 2,939,171</u></u>	<u><u>\$ 2,831,218</u></u>

**NOTE 7 FAIR VALUE MEASUREMENTS**

In determining fair value, the Association uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

*Level 1* – Valuations based on quoted prices for identical assets or liabilities in active markets;

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

*Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

*Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2021 and 2020 are as follows:

<u>Description</u>	2021			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Moderate Growth Mutual Fund	\$ 3,765,004	\$ -	\$ -	\$ 3,765,004
Total Investments	3,765,004	-	-	3,765,004
Beneficial Interest in Hephzibah Children's Trust	-	-	2,805,777	2,805,777
Total	<u>\$ 3,765,004</u>	<u>\$ -</u>	<u>\$ 2,805,777</u>	<u>\$ 6,570,781</u>
	2020			
<u>Description</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Mutual Funds	\$ 979,869	\$ -	\$ -	\$ 979,869
Foreign Mutual Funds	123,062	-	-	123,062
Exchange Traded Funds	256,616	-	-	256,616
Real Estate Funds	76,041	-	-	76,041
Bond Funds	1,395,630	-	-	1,395,630
Total Investments	2,831,218	-	-	2,831,218
Beneficial Interest in Remainder Trust	-	-	261,705	261,705
Beneficial Interest in Hephzibah Children's Trust	-	-	2,332,247	2,332,247
Total	<u>\$ 2,831,218</u>	<u>\$ -</u>	<u>\$ 2,593,952</u>	<u>\$ 5,425,170</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)**

Fair value for Level 1 investments is measured by reference to quoted market transactions that are listed on a national market or exchange, and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Fair value for Level 2 investments is determined by reference to quoted market transactions for assets in less active markets. Fair value for Level 3 beneficial interests in trusts is based upon the fair values of the underlying trust assets and other unobservable inputs.

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) during the years ended June 30:

	Beneficial Interest in Remainder Trust	Beneficial Interest in Hephzibah Children's Trust
Fair Value - June 30, 2019	\$ 265,482	\$ 2,384,914
Change in Value of Trust	(3,777)	(52,667)
Fair Value - June 30, 2020	261,705	2,332,247
Change in Value of Trust	59,872	473,530
Proceeds from Trust	(321,577)	-
Fair Value - June 30, 2021	<u>\$ -</u>	<u>\$ 2,805,777</u>

**NOTE 8 RELATED PARTY TRANSACTIONS**

The Association receives monetary support from the Trust. The Trust maintains investments for the sole purpose of earning capital appreciation. The returns on investments are used to support the operations of the Association. During the years ended June 30, 2021 and 2020, the Trust contributed \$55,000 and \$113,232, respectively, to the Association. At June 30, 2021 and 2020, \$85,065 and \$12,002, respectively, are payable by the Trust to the Association.

**NOTE 9 OBLIGATIONS UNDER CAPITAL LEASES**

In 2016, the Association entered into a capital lease agreement and acquired office equipment with a value of \$38,078. This office equipment was disposed of during 2021. In 2020, the Association entered into a capital lease agreement and acquired four copiers with a value of \$49,074. In 2021, the Association entered into a capital lease agreement and acquired two copiers with a value of \$21,504. As of June 30, 2021 and 2020, the accumulated depreciation of office equipment under capital leases was \$21,219 and \$38,235, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 9 OBLIGATIONS UNDER CAPITAL LEASES (CONTINUED)**

The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2021.

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 19,248
2023	19,248
2024	19,248
2025	9,128
2026	1,971
Total	<u>68,843</u>
Imputed Interest	<u>(15,588)</u>
Present Value of Minimum Lease Payments	53,255
Less: Current Maturities	<u>(12,734)</u>
Total Long-Term Capital Lease Obligations	<u><u>\$ 40,521</u></u>

**NOTE 10 PAYCHECK PROTECTION PROGRAM LOAN**

On May 4, 2020, the Association received a loan from U.S. Bank in the amount of \$1,164,390 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Association fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. Loan forgiveness is available for eligible expenses incurred during the 24-week covered period of May 4, 2020 through October 18, 2020 or the alternative payroll covered period of May 17, 2020 through October 31, 2020.

The Association applied for and was notified by the Small Business Administration that as of November 27, 2020 the loan was forgiven in full. Forgiveness related to this program are recorded as revenue in the fees and grants from government agencies line of the Statement of Activities. The Association recognized \$1,164,390 of forgiveness revenue related to this agreement during the year ended June 30, 2021, which represents the portion of the PPP loan funds for which full forgiveness has been received.

The Small Business Administration may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Association's financial position.



**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS**

The Association's net assets with donor restrictions at June 30, 2021 and 2020 total \$3,778,581 and \$3,141,800, respectively, which is restricted for the following programs or time:

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Program Training	\$ 2,074	\$ 2,074
Sibling Camp	19,000	27,000
Education	5,000	24,134
Program Activities	26,348	26,890
Program Equipment/Capital Improvements	563,626	33,439
Foster Care Program Shortfall	11,000	11,000
Therapy and Clinical Advocacy	73,904	72,655
Total	<u>700,952</u>	<u>197,192</u>
Subject to the Passage of Time:		
Promises to Give That Are Not Restricted by Donors, But Which Are Unavailable for Expenditure Until Due	196,852	290,656
Bequest	75,000	60,000
Beneficial Interest in Remainder Trust	-	261,705
Beneficial Interest in Hephzibah Children's Trust	<u>2,805,777</u>	<u>2,332,247</u>
Subtotal	<u>3,077,629</u>	<u>2,944,608</u>
Total	<u>\$ 3,778,581</u>	<u>\$ 3,141,800</u>

In fiscal year 2021 and 2020, \$464,610 and \$123,661, respectively, were released from restrictions as follows:

	<u>2021</u>	<u>2020</u>
Expiration of Time Restrictions	\$ 321,705	\$ 100,000
Satisfaction of Purpose Restrictions:		
Education	24,134	17,377
Program Activities	8,847	4,395
Program Equipment	86,174	1,889
Therapy and Clinical Advocacy	23,750	-
Total	<u>\$ 464,610</u>	<u>\$ 123,661</u>

**NOTE 12 REVENUE**

The following table shows the Association's revenues from contracts with customers disaggregated according to the timing of the transfer of goods or services:

	<u>2021</u>	<u>2020</u>
Revenue Recognized Over Time:		
Program Service Fees and Grants	<u>\$ 761,574</u>	<u>\$ 1,336,818</u>

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 CONTRACT ASSETS AND LIABILITIES**

The Association's contract liabilities consist of:

	2021	2020
Deferred Revenue - Parent Fees	\$ 26,933	\$ 53,769

The Association recognized \$53,769 and \$-0- as revenue that was previously included in contract liabilities during the years ended June 30, 2021 and 2020, respectively. The Association had no contract assets as of June 30, 2021 and 2020.

**NOTE 14 RETIREMENT PLAN**

The Association maintains a 401(k) and profit sharing plan covering all employees who have met eligibility requirements. For the fiscal years ended June 30, 2021 and 2020, the Association contributed \$556,966 and \$297,681, respectively, to the plan. For fiscal years 2021 and 2020, the Association contributed 8% and 5% of gross salaries, respectively, of which \$203,435 and \$178,527, respectively, constituted the 401(k) match. The balance of the contribution to the plan was made at the discretion of the Association. The benefit contribution is included in employee benefits on the statements of functional expenses and directly related program services revenues.

**NOTE 15 LEASES**

The Association rents its office facilities at 1144 Lake Street in Oak Park, Illinois under a lease expiring in September 2022. The Association also utilizes certain items of office equipment under various operating lease agreements which expire in September 2025.

Estimated future minimum annual commitments under noncancelable operating leases in place at June 30, 2021 are as follows:

Year Ending June 30,	Amount
2022	\$ 255,287
2023	92,475
2024	37,500
2025	17,850
2026	3,481
Total	\$ 406,593

Office space and equipment rent expense during fiscal years 2021 and 2020 was \$243,879 and \$236,343, respectively.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 16 BENEFICIAL INTEREST IN REMAINDER TRUST**

The Association had a beneficial interest in a remainder trust. Under the terms of the trust, distributions were made from the trust to designated beneficiaries for the remainder of the life of the last remaining beneficiary. Upon the death of the last remaining beneficiary, 20% of the remainder of the assets in the trust was transferred to the Association.

The Association valued its interest in the trust using 20% of the fair value of the trust assets. As of June 30, 2021 and 2020, the value of the Association's interest in the remainder trust was \$-0- and \$261,705, respectively, and is reported on the statements of financial position. The change in value of beneficial interest in remainder trust is included in the change in net assets with donor restrictions in the statements of activities for the years ended June 30, 2021 and 2020. The Trust was paid out in full during the year ended June 30, 2021 (see Note 7).

**NOTE 17 BENEFICIAL INTEREST IN HEPHZIBAH CHILDREN'S TRUST**

The Association has a beneficial interest in Hephzibah Children's Trust (the Trust). Under the terms of the Trust by-laws, the Trust is a supporting organization within the meaning of Section 509(a)(3) of the Internal Revenue Code and is specifically organized and shall be operated for the benefit of and to support and carry out the purposes of the Association. Upon dissolution or liquidation of the Trust, the board of directors shall pay or make provision for the payment of all liabilities of the Trust, and transfer or convey all property and assets of any nature of the Trust to the Association.

The Association values its interest in the Trust using 100% of the net asset value of the Trust. As of June 30, 2021 and 2020, the value of the Association's interest in the Trust was \$2,805,777 and \$2,332,247, respectively, and is reported on the statements of financial position. The change in value of beneficial interest in Hephzibah Children's Trust is included in the change in net assets with donor restrictions in the statements of activities for the years ended June 30, 2021 and 2020.

**NOTE 18 COMPLIANCE WITH GRANTOR RESTRICTIONS**

Financial assistance from governmental entities in the form of grants is subject to special audit. Such audits could result in claims against the Association for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time. Management believes that any disallowance of expenditures under these grants would not be material.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 19 SIGNIFICANT CONCENTRATIONS**

Accounting principles generally accepted in the United States of America require disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

**Concentration of Revenue**

The Association receives a substantial amount of its revenue from grants and contracts with various governmental agencies. Approximately 66% and 67% of total support and revenues during the years ended June 30, 2021 and 2020, respectively, was received from these government contracts and grants, which includes state of Illinois funding. Approximately 55% and 62% of total support and revenues in the years ended June 30, 2021 and 2020, respectively, was received from the Association's contracts with the Illinois Department of Child and Family Services.

Amounts due from the Illinois Department of Child and Family Services represent 86% and 81% of the total outstanding accounts receivable balance as of June 30, 2021 and 2020, respectively.

**Concentration of Credit Risk**

The Association maintains cash balances at several financial institutions. Accounts at each institution are insured by Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2021 and 2020, the Association's uninsured cash balances totaled \$2,476,386 and \$2,449,636, respectively.

**NOTE 20 RISK AND UNCERTAINTY**

The World Health Organization has declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Association, COVID-19 may have continuing impacts on various parts of its operations and financial results including, but not limited to, investment performance and loss of revenue due to the inability to hold program services and in person events, as well as other reductions in certain revenue streams. Management believes the Association is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

**NOTE 21 COMMITMENTS AND CONTINGENCIES**

**Litigation**

The Association is party to a legal matter, as a third-party litigant, that is incidental to its activities, the outcome of which cannot be predicted with certainty net of potential insurance proceeds. Management believes the outcome of the legal proceeding, will not have a materially adverse impact on the Association's financial position or activities.

**HEPHZIBAH CHILDREN'S ASSOCIATION  
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**NOTE 22 SUBSEQUENT EVENTS**

Management evaluated subsequent events through February 18, 2022, the date that the financial statements were available to be issued. Events or transactions occurring after June 30, 2021, but prior to February 18, 2022 that provided additional evidence about conditions that existed at June 30, 2021, have been recognized in the financial statements for the year ended June 30, 2021. Events or transactions that provided evidence about conditions that did not exist at June 30, 2021, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2021.

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